

Exhibit 5

MUNICIPAL DEBT CAPACITY

Debt Capacity and Outstanding Obligations

According to Washington State law, voters may approve general obligation debt issues of up to 7.5% of the City's assessed valuation. This 7.5% debt capacity is allocated evenly between general government purposes, parks and open space, and utilities, resulting in a 2.5% or \$214 million limit for each. Within the 2.5% limit, the Council has the authority to issue bonds and/or lease purchase agreements without voter approval for a combined total of up to 1.5% of the City's assessed valuation. All voted bonds require a 60% majority approval. To validate the election, the total votes cast must equal at least 40% of the total votes cast in the last general election.

As of January 1, 2003, the City has \$9.6 million of general obligation debt outstanding for general government purposes. This is well below the legally allowed general government debt capacity and includes general obligation bonds. The Park and Open Space debt outstanding is for a contract payable for park land. The full capacity of \$214 million is available for utility general obligation debt.

The chart below graphically depicts current debt capacity by government purpose, and a detailed listing of voted and non-voted bond issues can be found on the next page.

Although the City can legally issue up to 7.5% of its assessed valuation, bond-rating agencies have a much lower threshold for an acceptable debt load. Bond rating agencies use several criteria for determining the level of debt a city can maintain. The two most important are debt as a percent of assessed valuation and debt per capita. As a general rule, debt in excess of 4.5% of assessed valuation is viewed as a cause for concern. Redmond's current general obligation debt is less than 0.12% of assessed valuation; debt per capita is currently \$230, based on a population of 46,040.

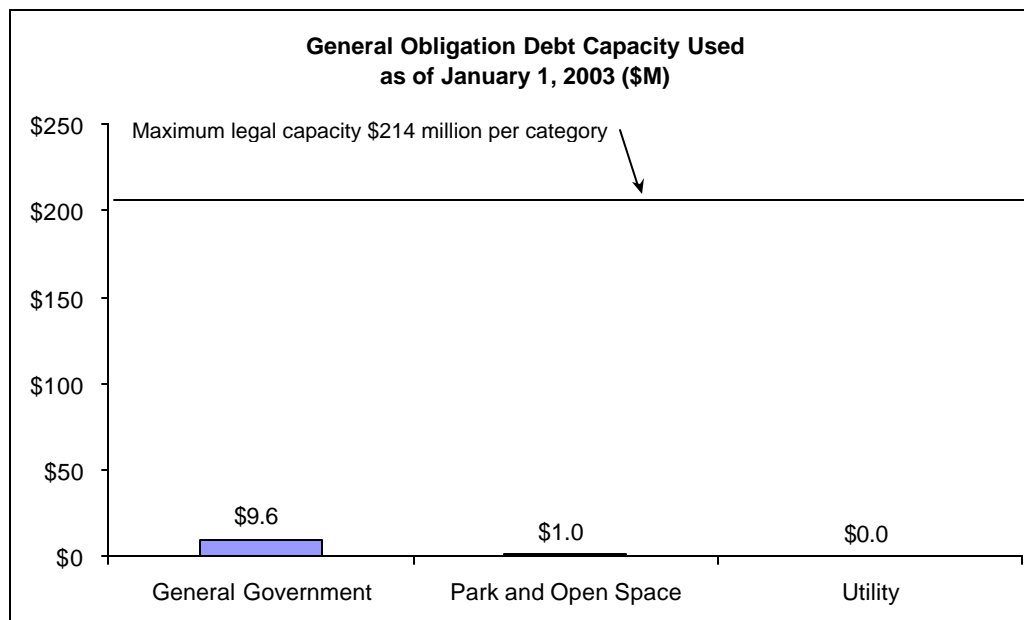


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The following table provides a detailed summary of the \$9.6 million in general obligation debt outstanding, which includes two voter approved levies, plus Council-approved general obligation notes and a capital lease.

GENERAL OBLIGATION DEBT OUTSTANDING

As of January 1, 2003

	Maturity Date	Interest Rate	Original Amount Issued	Redemptions To Date	Debt Outstanding
Excess Levy (voted)					
1992 Refunding	12/01/05	3.00-5.75%	15,100,000	9,940,000	5,160,000
1994 Refunding/ Fire Acquisition	12/01/13	4.00-5.65%	9,310,000	4,835,000	4,475,000
Contract payable	4/30/06	4.25%	1,016,417	0	1,016,417
Regular Levy (non-voted)			<u>0</u>	<u>0</u>	<u>0</u>
TOTAL GENERAL OBLIGATION BONDS			<u><u>25,426,417</u></u>	<u><u>14,775,000</u></u>	<u><u>10,651,417</u></u>

The 1992 Refunding Bond was issued to refund a 1986 bond that provided funds for the Police Public Safety Building, the Senior Center, and street improvements. The 1994 Refunding Bonds were issued to provide funds for a new fire station, plus refund earlier bonds. The 2002 Contract Payable is for park land acquired in southeast Redmond.

Other Long-Term Debt

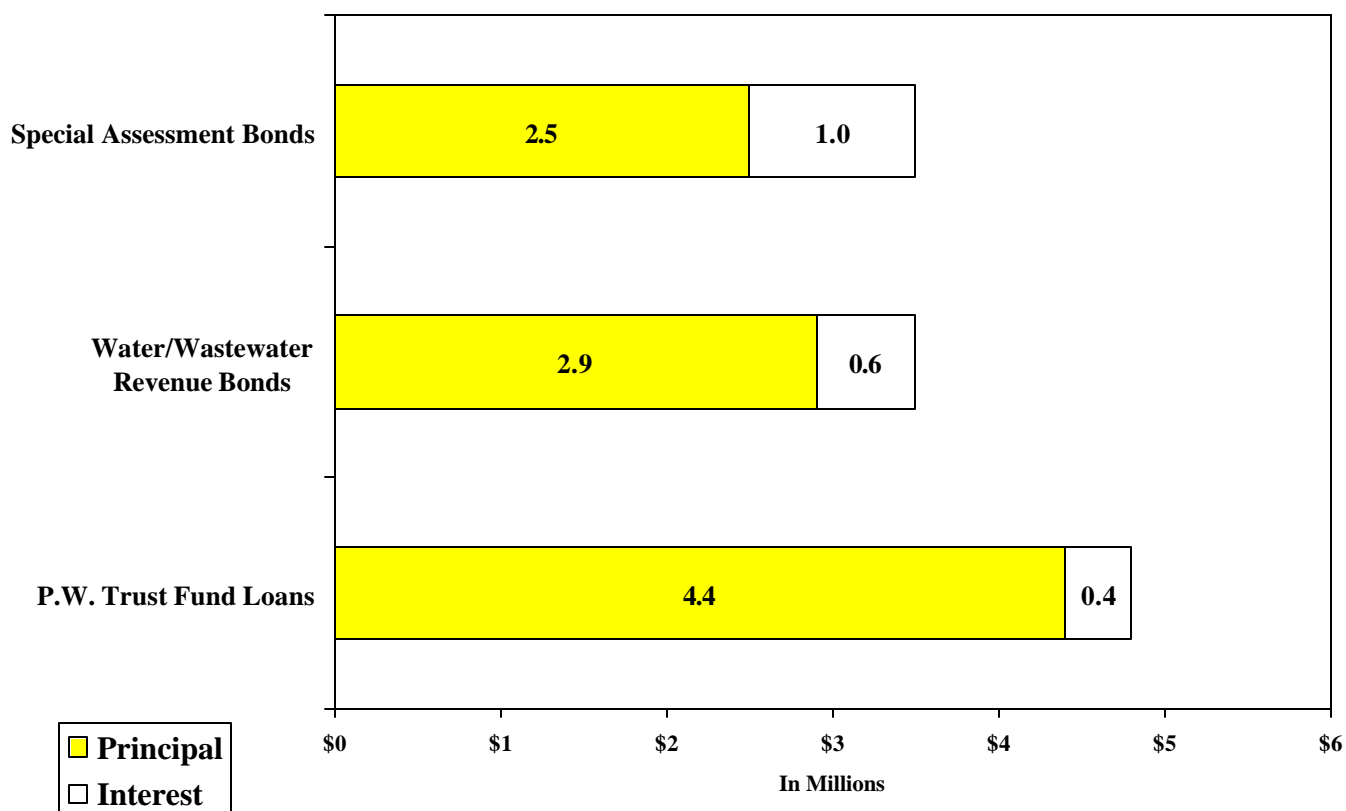
In addition to general obligation debt, the City utilizes a number of other long-term debt instruments, including special assessment bonds, revenue bonds, and loans from the state's Public Works Trust Fund. While not a direct responsibility of the City, special assessment bonds are used to finance public improvements that benefit a specified group of property owners, and are funded from the collection of special assessment payments. Revenue bonds are primarily used to finance utility capital improvement projects, and are payable from revenues generated by the water and sewer utility. State of Washington Public Works Trust Fund Loans are a direct responsibility of the City, and Redmond currently has nine such loans.

The following page includes a chart that summarizes these additional debt obligations to maturity.

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DEBT SERVICE REQUIREMENTS TO MATURITY

As of January 1, 2003



Special assessment bonds for Local Improvement Districts (LIDs) are considered contingent liabilities of the City and are not budgeted. Final payment on these bonds will be in 2011.

Payments for the water/wastewater revenue bonds are budgeted in the Water/Wastewater Operations and Maintenance Fund. Final payment on these bonds will be in 2008.

Payments for six of the Public Works Trust Fund loans are budgeted in the Capital Investment Program, and payments for the other three loans are budgeted in the Water/Wastewater Operations and Maintenance Fund. Final payments on these loans will be in 2015.